

Evaluation of main provisions of Companies Act 2006

On 22 December 2010, the UK Department for Business Innovation and Skills (**BIS**) published a report evaluating the main provisions of the Companies Act 2006 (**the Act**) and the consequences of the Act for companies, shareholders and other stakeholders. One of the main reasons for the evaluation was to assess whether the Act is meeting its key policy objectives which include making it easier to set up a business.

As some of the Act's measures only came into force in October 2009, it is still too early to assess the full impact of the Act. However, the report does set out some positive findings:

- 85% of companies interviewed were aware of the changes introduced by the Act
- The removal of the requirement for private companies to hold AGMs has been positively received
- Higher than anticipated numbers of companies have adopted some measures such as auditors limited liability agreements and solvency statements
- Steps introduced to improve shareholder engagement have been partially successful
- Changes for private companies on resolutions and meetings have been positively received, as have changes to e-communications.

Areas identified for future improvement include:

- **Auditor limited liability agreements:** more clarity needed regarding section 172 of the Act. Companies are entering into these agreements whilst acknowledging that they do not know of any benefits to their company
- **Indirect investors:** BIS to consider how to enfranchise these investors. Currently, no-one can contact them as their names do not appear on the share register

- **Directors' duties:** further clarity and guidance required to increase awareness and understanding of section 172 of the Act (duty to promote the success of the company)
- **Register of shareholders:** BIS to consider removal of shareholders' addresses from the Companies House register
- **Directors' addresses:** it is still difficult to differentiate directors with the same name. Further, previous addresses registered at Companies House are not blocked out and credit agencies can still access directors' addresses
- **Guidance:** promotion of available guidance with email agreed as being the preferred form of communication
- **Business review:** further clarity needed to improve the quality of information provided.

Full details of the evaluation can be found at:

<http://www.bis.gov.uk/policies/business-law/company-and-partnership-law/company-law>

If you would like to talk to us about the issues raised by this note, please contact:

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